

Message Text

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C O N F I D E N T I A L STATE 249401

EXCON

E.O. 11652: XGDS-1

TAGS: ESTC, COCOM

SUBJECT: MEETING OF SUBCOMMITTEE ON EXPORT CONTROLS

REF: STATE 245610

THIS MESSAGE CONTAINS THE STATEMENT TO BE MADE AT SUBJECT MEETING IN CONNECTION WITH AGENDA ITEM 4(C), EVIDENCE OF INCREASING DIVERSIONARY ACTIVITY ETC.

BEGIN TEXT: THE SUBCOMMITTEE SHOULD BE TOLD THAT, SINCE THE LAST MEETING AND INCREASINGLY IN THE PAST YEAR, THE UNITED STATES HAS HAD CALLED TO ITS ATTENTION INCREASED EASTERN EUROPEAN INTEREST IN CLANDESTINE PROCUREMENT OF STRATEGIC GOODS. IN PARTICULAR, THERE HAS BEEN INFORMATION ATTESTING TO SIZABLE DIVERSIONS OF SEMI-CONDUCTOR MANUFACTURING EQUIPMENT. WE HAVE EVIDENCE, FOR EXAMPLE, OF \$3 MILLION WORTH OF SUCH (U.S.) EQUIPMENT WHICH HAS BEEN DIVERTED TO THE
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SOVIET UNION. ONE U.S. FIRM AND SEVERAL U.S. AND WEST EURO-

PEAN INDIVIDUAL HAVE BEEN INDICTED BY A U.S. FEDERAL GRAND JURY. (DETAILS OF SOME OF THESE DIVERSIONS ARE SET FORTH IN CASES 2 AND 3 IN COCOM DOC. CONTR (76) 3.6). RAW INTELLIGENCE IS STILL BEING DEVELOPED AND DOCUMENTED, BUT THE PICTURE EMERGING IS ONE OF LARGE-SCALE, WELL PLANNED AND COORDINATED ILLEGAL PROCUREMENT EFFORT. AS A RESULT, HIGH LEVELS IN THE USG DETERMINED THAT THERE SHOULD BE A STUDY OF THE EFFECTIVENESS OF THE U.S. EXPORT CONTROL COMPLIANCE PROGRAM. OF PRIME INTEREST TO THE SUB-COMMITTEE IS THE FACT THAT ONE OF THE MAIN PURPOSES OF U.S. COMPLIANCE ACTIVITY IS MAINTENANCE OF THE INTEGRITY OF THE COCOM INTERNATIONAL EMBARGO LIST. THE EXTENT OF COMPLIANCE WITH LICENSING POLICY DETERMINES THE CREDIBILITY OF THE POLICY IN THAT VIOLATIONS, TO THE EXTENT THAT SIGNIFICANT QUANTITIES OF STRATEGIC COMMODITIES OR TECHNOLOGY ILLEGALLY REACH PROSCRIBED DESTINATIONS, DEFEAT THE PURPOSE OF AN EMBARGO. QUITE OBVIOUSLY, THE U.S. ENFORCEMENT PROGRAM, HOWEVER EFFECTIVE, WILL SUFFER IF THE ENFORCEMENT EFFORTS OF ALL WHO SUBSCRIBE TO THE COCOM EMBARGO ARE NOT IN BALANCE; HENCE, THE STUDY HAS ALSO COVERED COCOM ACTIVITIES. IT WAS FOR THIS PURPOSE THAT INFORMATION RESPECTING THE ENFORCEMENT MECHANISMS OF OTHER COUNTRIES WAS SOUGHT EARLIER THIS YEAR. THE STUDY HAS BEEN LARGE SCALE AND INTENSIVE, AND HAS NOT YET BEEN COMPLETED. IT IS TO RECEIVE INTER-AGENCY REVIEW AT THE HIGHEST LEVELS. AT THIS TIME, THEREFORE, IT WOULD BE PREMATURE TO COMMENT ON THE DETAILS AND PRELIMINARY FINDINGS. WE EXPECT, HOWEVER, TO HAVE THE STUDY COMPLETED IN THE LATTER PART OF THE YEAR OR EARLY IN 1977. OUT OF THE REVIEW SHOULD COME CONCLUSIONS AND RECOMMENDATIONS, SOME OF WHICH WILL BE OF INTEREST TO COCOM.

THE USG HOPES TO BE IN A POSITION BY EARLY 1977 TO DISCUSS WITH THE OTHER MEMBERS OF COCOM, THOSE RECOMMENDATIONS WHICH AFFECT OUR MULTILATERAL COOPERATIVE EFFORTS AND THE INTELLIGENCE ON DIVERSIONS AND BELIEVES THAT THE SUB-COMMITTEE MIGHT USEFULLY MEET IN MID-1977 FOR THIS PURPOSE. WITH THIS IN MIND, AND IN VIEW OF WHAT APPEARS TO BE GREATER ILLEGAL PROCUREMENT EFFORT BY THE SOVIETS AND EAST EUROPEAN COUNTRIES, VARIOUS PC'S MAY WISH TO UNDER-CONFIDENTIAL

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TAKE AN ASSESSMENT OF THEIR OWN ENFORCEMENT PROCEDURES AND PROBLEMS. AN EXCHANGE OF INFORMATION ABOUT CASES AT THAT MEETING WOULD BE HELPFUL. END TEXT. ROBINSON

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